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(54) **METHOD, SYSTEM AND COMPUTER PROGRAM PRODUCT FOR FACILITATING A TAX TRANSACTION**

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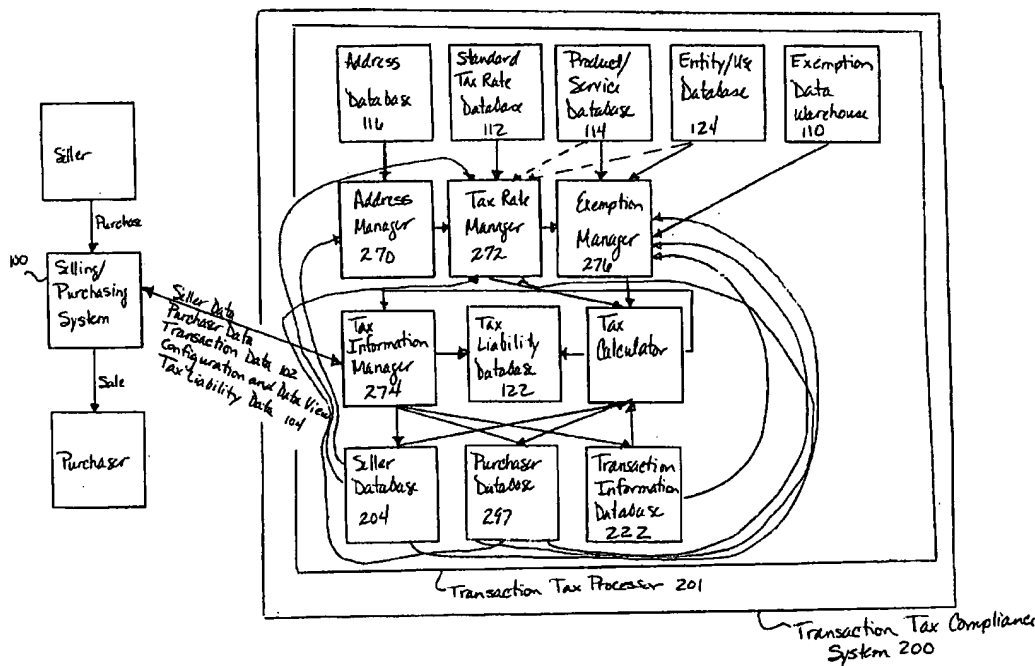
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(57) **ABSTRACT**

A transaction tax compliance system having a transaction tax compliance processor which receives transaction information from selling/purchasing input systems and returns, stores, and reports the tax liabilities caused by the transaction event.

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facilitating a tax transaction

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Summary of Invention Paragraph - BSTX (2):

[0002] This invention relates to a method, a system, and a computer program product for determining and reporting a transaction tax liability for a transaction involving the sale of products or services. The burden on sellers and buyers to comply with transaction tax laws and rules in all jurisdictions in which they do business is extraordinary, and is made complicated by the numerous taxes that may be applicable in each jurisdiction involved in the transaction. Some of these taxes are either not known or complied with by the sellers and buyers. For example, consummated transactions may be subject to many different tax schemes, including, but not limited to, customs, excise, **sales, and use taxes**, gross receipts taxes, utility taxes, business and occupation taxes, and value added taxes. Federal, state, and local governments around the world have the legal authority to enact transaction taxes, and tens of thousands of taxing jurisdictions are in place today.

Summary of Invention Paragraph - BSTX (7):

[0006] The transaction tax compliance system includes data and formulae that allow for accurate transaction tax compliance. The system calculates the **tax** based on: 1) the applicable **tax** situs (the taxing location), 2) the applicable international, federal, state, and local **tax** rates and limitations, 3) product- and/or service-based **exemptions (exemptions)** based upon the taxable status of a product or service), 4) entity- and/or usebased **exemptions (exemptions)** based upon the taxable status of a purchaser or seller or upon the use to which the purchase will be put), and 5) the appropriate method of rounding. The system also imports the tax liability information into the applicable tax return; the returns can be completed and printed for execution and mailing. The automation of these functions substantially reduces the transaction tax compliance burdens sellers and purchasers suffer. Further, users no longer need to research and analyze transaction tax laws and rules, as it is included in the system.

Detail Description Paragraph - DETX (3):

[0037] The transaction tax compliance system preferably includes a tax transaction calculator 202, an address manager 270, a tax rate manager 272, an exemption manager 276, and a tax information manager 274, all of which may be present and operating on one or more computers or other devices acting as a server computer for the transaction. Although the functions/processes of the transaction tax compliance system are described in a particular order, the various operations need not be performed sequentially or in the order described.

Detail Description Paragraph - DETX (6):

[0040] The user of the transaction tax compliance system 200 then inputs a username and password to proceed. Users of the transaction tax compliance system 200 may thereafter 1) enter or edit contact information (e.g., the name of the person authorized to access the transaction tax compliance system 200) and company information, including, company divisions and entities, 2) input business locations (warehouses, sales offices, showrooms, headquarters, etc.) and identify the status of those locations, 3) identify tax collection obligations, 4) identify taxpayer registration numbers, 5) attach catalog control numbers ("SKU's") representing products or services that they sell or purchase to an applicable commodity code of the transaction tax compliance system, 6) identify exempt entities, as well as the reasons for those exemptions, and/or 7) identify exempt uses for the products or services that they purchase. The seller/purchaser information may be transmitted by the selling/purchasing system 100 in any number of ways, including, but not limited to, any data or signal discernable by the transaction tax compliance system 200 as seller and/or purchaser data, such as a message in any format of any computer protocol. For example, any suitable interface, such as an HTML form as shown in FIGS. 3B-3F, may be used to permit a user of the transaction tax compliance system 200 to create or update seller/purchaser information. This may take place well before the user of the transaction tax compliance system 200 initializes any transactions, may occur as part of a transaction, and/or may occur in real-time.

Detail Description Paragraph - DETX (10):

[0044] In other cases, the applicable transaction tax liability cannot be determined without 1) a commodity code which defines the taxable status of a product or service (the indication of the product or service type may be any data or signal indicative of the unique identifier, such as a name, type, or other unique identifier of the product or service type); 2) a reason code which identifies exempt entities (the indication of the status of the purchaser or

the seller may be any data or signal indicative of a unique identifier, such as a name, reason code, purchaser or seller **exemption** number, or other unique identifier of the purchaser or the seller) or uses (the indication of the use to which the purchase will be put may be any data or signal indicative of a unique identifier, such as a name, use code, explanation, status code, or other unique identifier of the use); or 3) taxpayer registration numbers of the seller and/or purchaser. Any information that the transaction tax compliance system 200 can infer or determine independent of input from the seller and/or the purchaser may be omitted from the submitted transaction data. Additionally, transaction information may also include an exempt amount with jurisdiction identifier, contract amount, installation amount, freight amount, discount amount, number of items, rounding identifier indicating the scheme for rounding dollar amounts less than \$0.01, tax type identifier (including based on sales or use), no tax indicator, override amount and jurisdiction, invoice date, purchaser identifier, purchaser name, invoice number, invoice line item number, delivery date, seller/purchaser company code, seller identifier, seller name, and seller/purchaser division codes.

Detail Description Paragraph - DETX (19):

[0053] The tax situs may be any data or signal indicative of a tax situs, including a jurisdiction identifier, a state code, a zip code, a city identifier, a county identifier, a geographical location code, or any other unique identifier of a tax situs. The tax type may be any data or signal indicative of a tax type, including an identifier, description or any other unique identifier of at least one tax type, including, but not limited to, customs taxes, excise taxes, **sales taxes**, use taxes, gross receipts taxes, utility taxes, business and occupation taxes, and value added taxes. The tax rate may be any data or signal indicative of a tax rate, including a percentage, a code, or other unique identifier of a tax rate. The tax rate manager 272 may determine the tax situs, tax type, and/or applicable tax rate(s) in real-time, and further, may use real-time processing. The tax rate manager 272 may manually determine the tax situs, tax type, and/or applicable tax rate(s) only after authorization from the selling/purchasing system 100, or alternatively, may automatically determine the tax situs, tax type, and/or applicable tax rate(s) when a transaction is initialized.

Detail Description Paragraph - DETX (20):

[0054] After determining the **tax** situs, **tax** type, and standard **tax** rate(s), an **exemption** manager 276 may determine whether the transaction should be wholly or partially exempt. The **exemption** manager 276 may determine **tax** liability **exemption** in many ways, including receiving exempt transaction amounts,

receiving a no-tax indicator from the seller/purchaser, or comparing the commodity codes in the transaction data 102 to data in the product/service database 114 and comparing the reason codes in the transaction data to data in the entity/use database 124. The exemption manager 276 may also compare the seller and buyer identifiers in the transaction data 102 with the entity/use database to determine whether the user of the transaction tax compliance system 200 has assigned a wholly or partially exempt status to the use of a product or the purchaser or seller with involved in the transaction.

Detail Description Paragraph - DETX (21):

[0055] The exemption identifier may indicate that the exemption manager may exempt the whole transaction, may exempt the whole transaction from a particular level of taxes, e.g., for a particular jurisdiction level such as local taxes, or may exempt part of the transaction by indicating a tax certificate number, a product exemption, or an exempt amount. Thus, the seller/purchaser may `turn off` taxation in certain jurisdictions, e.g., in states where the seller is not registered or should not be taxed; or certain customers, commodities, or uses may be actually exempt from taxation. For example, exemptions may include location-based thresholds (i.e., \$2,500 maximum taxable amount); exempt products and services (i.e., clothing, food); exempt uses (i.e., sales to resellers); and exempt seller and/or purchaser entities (i.e., sales to charitable organizations). Similarly, the entity/use database allows sellers to implement exemptions based upon receipt of a direct pay or exemption certificate. The commodity code may be any data or signal indicative of a tax status of a product or service, including a unique identifier or description, or other unique identifier of a commodity code. Typical commodity codes may wholly or partially exempt food for human consumption, prescription drugs, sales of services, utility services, and/or freight charges.

Detail Description Paragraph - DETX (22):

[0056] The reason code may be any unique identifier of the tax status of a seller, a purchaser, and/or a specified use of a product, including, a seller exemption identifier, a use identifier, a purchaser exemption identifier, an exemption certificate number, a tax license number, or any other unique identifier for tax status. Typical reason codes may identify exempt sales of items to be resold in a taxable transaction, sales of machinery to be used in industrial processing, manufacturing, or farming; and/or sales of items to religious, nonprofit, charitable, or educational organizations. The exemption

manager may determine any tax exemptions in real-time, and further, may use real-time processing. The exemption manager may manually determine the whole or partial exempt status of a transaction only after authorization from the selling/purchasing system 100, or alternatively, may automatically determine the whole or partial exempt status or for a transaction when a transaction is initialized.

Detail Description Paragraph - DETX (23):

[0057] The exemption amount or rate may be specified by the selling/purchasing system or alternatively may be determined from the product/service database, the entity/use database, and/or the standard tax rate database. The exempted amount and/or rate may indicate item and/or line item threshold amounts and limitations. Further, invoice thresholds and limitations may be indicated. Partial exemptions (e.g., special rates) and thresholds (i.e., base as reductions) may be implemented through exempt transactions amounts, transaction rates, and/or a rule system applicable to a calculation of the applicable tax liability. The exemption manager may access the seller and purchaser databases to retrieve administration codes to determine active and/or inactive tax jurisdictions and/or tax types as indicated by the seller and/or purchaser.

Detail Description Paragraph - DETX (25):

[0059] The transaction tax compliance system 200, through an exemption manager 276, may communicate with or access a tax exemption warehouse 110

maintained by the tax transaction processor or a third party to verify any tax exemption status for a particular commodity, purchaser, seller, or use. More specifically, the transaction tax compliance system may compare the purchaser name and tax exemption indicator to data from the tax exemption warehouse to

verify the status of the purchaser as exempt from taxation. Similarly, the transaction tax compliance system may verify the tax exemption status of a seller, a product/service, or use of the product. The exemption manager may receive information from the tax exemption warehouse in any number of ways, including, but not limited to, any data or signal discernable by the transaction tax processor as exemption data, such as a message in any format of

any computer protocol. The exemption manager may access the exemption data

warehouse by requesting the information from the host system for the exemption

warehouse, by the exemption warehouse sending the information to the tax transaction system, or in any other manner appropriate given the implementation of the transaction tax processor and the exemption data warehouse.

Detail Description Paragraph - DETX (26):

[0060] The transaction tax compliance system may determine tax exemption and/or verify tax exemption in real-time, and further, may use real-time processing. The transaction tax compliance system may manually determine tax exemption and/or verify tax exemption only after authorization from the seller system 100, or alternatively, may automatically determine and/or verify tax exemption when determining the appropriate tax liability for a transaction.

Detail Description Paragraph - DETX (27):

[0061] The tax calculator 202 applies the results obtained by the tax rate manager 272, the exemption manager 276, the seller database 204, and the purchaser database 297 to the transaction data 102, and calculates the applicable tax liability 104. The tax calculator may receive the tax situs information, the tax type, the applicable tax rates, the exemption information, the seller information, the purchaser information, and the transaction data in any number of ways, including, but not limited to any data or signal discernable by the tax calculator as tax calculation data, such as a message in any format of any computer protocol. The tax calculator may access the tax calculation data from the exemption manager, the tax rate manager, the seller database, the purchaser database, the transaction information database, and/or any other applicable database or process by requesting the information from the system hosting the requested information, by the process or database sending the information to the tax calculator, or in any other manner appropriate given the implementation of the tax calculator and the transaction tax processor. The determined tax liability may be any data or signal indicative of a tax liability, including a unique identifier or description, an amount, a percentage of the transaction amount, or other unique identifier of a tax liability amount. The tax calculator may determine any tax liability in real-time, and further, may use real-time processing. The tax calculator may manually determine the tax liability of a seller, purchaser, and/or transaction only after authorization from the selling/purchasing system 100, or alternatively, may automatically determine the tax liability when a transaction is initialized.

Detail Description Paragraph - DETX (30):

[0064] If the transaction is partially or fully tax exempt, the tax

liability information database file may retain additional information including, but not limited to, the commodity code assigned to the product or service based on the status of the product or service (e.g., food), the reason code based on the purchaser or seller status as an exempt entity or transaction status based on exempt use, and the exemption identification number based on the existing exemption certificate number. Purchaser privacy may be maintained

by withholding the true identity of the purchaser, despite the non-taxable status of the transaction. If the exemption is due to the status of the product or service purchase, the commodity code assigned to the product or service will be stored in the tax liability information database file. If the transaction is exempt due to the purchaser's status as an exempt entity, or if the transaction is exempt because the purchase will be put to an exempt use, the applicable reason code will be retained to support the exemption using the transaction tax compliance system. The transaction tax compliance system may store an exemption identifier and the reason code in the tax liability information database file, but the tax liability information database system will not be provided with the true identity of the holder of the exemption identifier.

Detail Description Paragraph - DETX (33):

[0067] The transaction tax compliance system may be used with many types of selling/purchasing systems, including, but not limited to cash registers, computer platforms, order/billing systems, hand help computing platforms, and credit card transaction processing devices. In one embodiment of the invention, a credit card system may be associated with the transaction tax compliance system to calculate taxation of petroleum transportation fuels, as well as determine applicable exemptions. The system may function within existing credit card transaction processing environments. The transaction system credit maybe used to purchase fuels at participating merchant locations and may pay for the purchase with the transaction tax credit card. The cost of the transaction is inclusive of all applicable taxes. The transaction information may be sent through the credit card network to the transaction tax compliance system remote server location. The transaction tax compliance system then determines if the user is exempt from any of the taxes paid at the pump. The transaction tax compliance system may determine the exemptions by

determining whether the type of fuel (gas or diesel) is exempt, whether the purchaser is exempt, whether the seller (the oil company) will file for the exemption on behalf of the purchaser, and whether the issuing bank will file for the exemption on behalf of the purchaser. When the purchaser receives the credit statement, the statement may be billed net of the exempt tax. The refund may be recovered by the oil company or the card issuing bank from the

applicable tax authority, based on the tax exempt amounts calculated and reported by the transaction tax compliance system. The transaction tax compliance system may store and retain all tax liability data for tax reporting and audit purposes.

Detail Description Paragraph - DETX (35):

[0069] The transaction tax processor 201, shown in FIG. 2, may include one or more communication ports 278, one or more processors 280, an internal data and time clock 282, and storage 284 which includes one or more computer programs 286 defining instructions, which once executed, instruct the computer to perform the operations of the transaction tax calculator, address manager, tax rate manager, exemption manager, and tax information manager. The storage may also include a seller database 204, a purchaser database 297, a transaction information database 222, an exempt entity/use database 124, an exempt product/service database 114, an address database 116, a standard tax rate database 112, a tax liability database 122, and any other databases applicable to calculating appropriate tax liabilities. These programs and these databases will now be described in more detail in connection with FIGS. 3A-7.

Detail Description Paragraph - DETX (36):

[0070] FIG. 3A illustrates an example table 205 for a seller database, which includes one or more records 206. In general, each record associates a seller identifier 208 with a commodity code 218 and tax jurisdiction identifier 220A, and optionally, additional information about the identified seller. In this example, each record 206 includes a seller identifier 208, seller name 210, seller exemption number 211, seller mailing address 212, seller billing address 214, seller phone number 216, commodity code 218, tax jurisdiction 220A, administration code 220B, seller location 219, seller location activity code 217 (warehouse, sales, showroom, headquarters, manufacturing), point of order origin 221A, ship from location 221B, point of order acceptance location 221C, point of order origin 292, point of order acceptance 288, ship from location 227, point of title passage 229, commodity category 213, commodity description 215, seller division identifier 207, seller entity identifier 257, and a rounding indicator 258 (establishing a method of rounding amounts less than \$0.01). The administration code 220B may indicate to the transaction tax compliance system whether the purchaser or seller has an obligation to collect, and therefore calculate, report and remit, transaction tax liabilities that arise in a taxing jurisdiction. Division codes 207 may be used to indicate or identify a particular division of a multidivisional company or may be used to identify particular product lines or other information. The seller system may associate the seller SKU or catalog control number with an appropriate

commodity code 218, for example, through a lower limit of seller catalog control number 209A and an upper limit of seller catalog control number 209B. Entries in this database are made as sellers register with the transaction tax processor as described above. After a seller registers with the transaction tax processor, seller information, including commodity code designations, business locations, and administration codes may be added or modified by the seller.

Detail Description Paragraph - DETX (37):

[0071] FIG. 4B illustrates an example table 298 for a purchaser database, which includes one or more records 299. In general, each record associates the purchaser identifier 254 with commodity code 218 and tax jurisdiction identifier 220A, and optionally, additional information about the identified purchaser. In this example, each record 299 includes a purchaser identifier 254, purchaser name 226, purchaser exemption number 232, purchaser mailing address 228, purchaser billing address 230, purchaser phone number 263, commodity code 218, tax jurisdiction 220A, administration code 220B, purchaser location 264, purchaser location activity code 266 (warehouse, sales, showroom, headquarters, manufacturing), shipping address 221D, ship to location 248, commodity category 213, commodity description 215, purchaser division identifier 231, purchaser entity identifier 239, and a rounding indicator 258 (establishing a method of rounding amounts less than \$0.01). The administrative code 220B may indicate to the transaction tax compliance system whether and how to calculate tax liability amounts in a particular jurisdiction and/or for a tax type, similar to seller administration codes discussed above. Division codes may be used to indicate or identify a particular division of a multidivisional company or may be used to identify particular product lines or other information. The purchaser system may associate the product SKU or catalog control number with an appropriate commodity code 218, for example through a lower limit of seller catalog control number 209A and an upper limit of seller catalog control number 209B. Entries in this database may be made as purchasers register with the transaction tax processor similar to that described above with reference to seller registration. Alternatively and/or additionally, purchasers may register individually for each individual transaction either through the seller system or directly with the transaction tax system. After a purchaser registers with the transaction tax processor, purchaser information may be added or modified by the purchaser and/or the seller.

Detail Description Paragraph - DETX (39):

[0073] FIG. 4A illustrates an example table 223 for a transaction information database, which includes one or more records 224. In general, each

record associates a transaction identifier 237, a tax jurisdiction identifier 220A, the tax liability 104, the gross transaction amount 238 (invoice total or line item), and optionally, additional information about the purchaser, the seller, the product, and/or the transaction. Example additional information about the purchaser and seller includes the purchaser identifier 254, the purchaser name 226, the purchaser mailing address 228, the purchaser billing address 230, the shipping address 248, the purchaser exemption identifier 232, the seller exemption identifier 211 seller division code 207, seller location code 217, seller entity code 257, purchaser division code 231, purchaser location code 266, purchaser entity code 239, and the reason code 233 indicating an entity based exemption or the stated use of the product by the purchaser. Example additional information about the product and transaction includes commodity code 218, gross transaction amount 238, specified

exemption

amount 320 for a particular jurisdiction, contract amount 340, seller mailing address 212, seller ID 208, seller name 210, installation amount 342, freight amount 344, discount amount 346, type of calculation flag 348 (what amount passed), credit indicator 350, number of items in invoice 352, rounding indicator 258, **tax** type used for a particular jurisdiction (sales, use, etc.) 312, no **tax** indicator for a particular jurisdiction 354, exempt indicator for a particular jurisdiction 244, over-ride amount in a particular jurisdiction 356, over-ride rate in a particular jurisdiction 358, invoice date 360, invoice identifier 362, invoice line item number 364, delivery date 366, ship from address 227, point of title passage 229, point of order origin 292, point of order acceptance 288, and completion code 236. In lieu of gross amount of sale 238, the selling/purchasing system may pass the amount of tax charged, and the transaction tax processor will calculate the gross taxable amount. Entries in this database are made and updated as the selling/purchasing systems request the applicable tax liability amount from the transaction tax processor, as described below.

Detail Description Paragraph - DETX (41):

[0075] FIG. 5A illustrates an example table 241 of a database of exempted products/services, which includes one or more records 242. In general, each record associates a commodity category 213 with a commodity code 218 with a current **tax** rate 308 in a particular **tax** jurisdiction 220A and optionally additional information such as a commodity description 215, **exemption** indicator

for a particular jurisdiction 244, secondary **taxes** 368, reason code 233 identifying an exempted use, prior **tax** rate for the location 310, prior effective date 306, effective date for the current **tax** rate 304, maximum **tax** information 316 (current and prior maximum **tax** amounts, current and prior maximum taxable amounts, current and prior maximum rates, current maximum

effective date, current and prior maximum tax code to determine which fields are applicable and tax calculation logic to use), and verification status 260. The product/services database may also include flags 314 indicating maximum tax flag; jurisdiction flag which may determine if the location of the rate in a jurisdiction is located in a commodity code record, a standard tax rate file, or exempt from taxes and tax type; and any rules and/or instructions to calculate commodity tax liability in applicable jurisdictions. Entries in this database are made and updated by the transaction tax processor to maintain compliance with taxing laws and regulations in tax jurisdictions.

Detail Description Paragraph - DETX (42):

[0076] FIG. 5B illustrates an example table 251 for an exempted entity/use database, which includes one or more records 252. In general, each record associates a transaction identifier 237 with a reason code for a particular tax jurisdiction 220A and optionally additional information such as purchaser identifier 254, seller identifier 208, purchaser name 226, seller name 210, purchaser exemption number 232, seller exemption number 211, applicable commodity codes 218, commodity description 215, a current tax rate 308 in a particular tax jurisdiction 220A, exemption indicator for a particular jurisdiction 244, secondary taxes 368, reason code 233 identifying an exempted purchaser/seller/use, prior tax rate for the location 310, current effective date 304, prior effective date 306, maximum tax information 316 (current and prior maximum tax amounts, current and prior maximum taxable amounts, current and prior maximum rates, current maximum effective date, current and prior maximum tax code to determine which fields are applicable and tax calculation logic to use), verification status 260, and flags 314314 including those described above with reference to the product/service database.

Detail Description Paragraph - DETX (43):

[0077] Entries in this database are made and updated as selling/purchasing systems register with the transaction tax compliance system and as a transaction is initialized in the transaction tax processor to determine the applicable tax liability of the transaction. The verification status 260 may be created and updated by the tax transaction processor after verifying the exemption identifier for a particular tax jurisdiction as described below and the exemption indicator 244 may be created and updated after determining and/or verifying the exemption status as described below.

Detail Description Paragraph - DETX (44):

[0078] FIG. 6 illustrates an example table 291 from a tax liability database. This database stores information about present and past transactions. In the example shown in FIG. 6, a record 290 may include a transaction identifier 237, seller identifier 208, tax jurisdiction 220A, purchaser identifier 254, commodity code 218, exemption identifier 244, a calculated tax liability 104, applied tax rate 370, over ridden tax rate 358, over ridden tax amount 356, job number 374, purchaser name 226, basis amount (gross less exempt amounts) 372, date of order 294, date of transaction 296, jurisdiction location 322, ship to address 248, ship from address 227, point of order acceptance 288, point of order origin 292, point of title passage 229, seller business location code 217, total sales (gross sales amount) 238, exempt sales amount 320, exemption indicator (use, product, entity) 244, reason code 233, seller exemption identifier 211, purchaser exemption identifier 232, invoice date 360 and/or adjustments to the tax base (bad debt write-offs, returns, repossessions, etc.), rounding indicator 258 and/or express collection or 'breakage' (the amount collected in excess of the amount actually due, e.g. fractions of pennies), seller division code 207, seller entity code 257, purchaser division code 231, purchaser entity code 239, type of tax 312, and completion code 236. Entries in this database are made and updated by the transaction tax processor as transactions are started and completed.

Detail Description Paragraph - DETX (45):

[0079] FIG. 7 illustrates an example table 300 from a standard tax rate database. This database stores information about present and past tax rates. In the example shown in FIG. 7, a record 302 may include a tax jurisdiction identifier 220A, a tax jurisdiction name or location 322, current effective dates 304, prior effective dates 306, current tax rates 308, prior tax rates 310, tax type 312, and administration code 220B. The administrative code may be included to facilitate determining tax jurisdiction information and may also identify whether a taxing jurisdiction is locally administered. Additional information may be associated for particular tax jurisdictions. For example, a state record may also include a county and local tax flag 314 and maximum tax information 316; a county record may include a county code 220A, a tax reporting code 318, and an exemption processing code 320; and a city record may include a city code 220A or a ZIP code, a location code 322 indicating the geographic location of the jurisdiction, a county code 220A, a county tax flag 314, a tax reporting code 318, and an exemption processing code 320. Entries in this database are made and updated by the transaction tax processor from time to time and/or as tax rates/amounts/calculation rules change using methods known in the art.

Detail Description Paragraph - DETX (49):

[0083] Having now described the databases maintained by the transaction processor in this embodiment, the various operations performed by the transaction processor will now be described. Referring to FIG. 8, these operations include, but are not limited to, registering (500) a selling/purchasing system by receiving information from a selling/purchasing system about the seller/purchaser; initializing (502) a transaction by receiving information from a selling/purchasing system about the seller, the purchaser, and/or the transaction; determining (504) the possible tax situs locations for the address data given; determining (506) the tax situs of the transaction; determining (508) the tax type of the transaction in the tax situs; determining (510) the standard tax rates of the transaction type in the tax situs; determining (512) the whole or partial tax liability exemption; calculating (514) the applicable tax liability to the transaction; and processing (516) transaction and tax liability data. The various operations in FIG. 8 need not be performed sequentially or in the order shown. These various operations will now be described in more detail.

Detail Description Paragraph - DETX (50):

[0084] Referring to FIG. 9, to register a user such as a seller and/or purchaser, a selling/purchasing system interconnects (518) with the transaction tax compliance system. Information about the seller/purchaser is received (520) from the selling/purchasing system by the transaction tax processor. Information about the seller/purchaser, in an embodiment using the database structure described above, may include a seller/purchaser identifier, seller/purchaser name, seller/purchaser exemption number, seller/purchaser mailing address, seller/purchaser billing address, seller/purchaser phone number, commodity code, tax jurisdiction identifier, administration code, seller/purchaser location, seller/purchaser location activity code, address data, commodity category, commodity description, seller/purchaser division identifier, seller/purchaser entity identifier, and rounding indicator. Any conventional registration process and mechanism may be used to obtain this information from a selling/purchasing system. The seller/purchaser information may be provided separately and at different times, enabling the selling/purchasing system to register once, or to register or update data individually for each individual transaction or group of transactions.

Detail Description Paragraph - DETX (52):

[0086] Referring to FIG. 10, after registering a selling/purchasing system, a particular transaction or group of transactions may be initialized 502 by the

transaction tax processor after receiving information about the seller, the purchaser, and/or the transaction information (524) from the selling/purchasing system. Information about the seller, received from the seller, may be preregistered with the transaction tax compliance system or may be created or updated in real-time at the time of the transaction and further, using real-time processing. Similarly, the purchaser information may be preregistered with the transaction tax processor similar to the registration of the seller information or may be created or updated in real-time at the time of the transaction and may use real-time processing. The purchaser information may be received by the transaction tax processor directly from the purchaser system and/or through the seller system. Information about the seller, the purchaser, and the transaction, in an embodiment using the database structures described above, may include any transaction data including the sales or purchase price of the commodity sold or purchased (either by line item or invoice total), amount type flag, the amount of tax charged, the physical locations involved in the transaction (the ship from location, the ship to location, the location where the purchaser's invoice is mailed, the location where the order was first recorded, the location where the order was contractually accepted by the seller, and the location of title transfer), commodity code, reason code, seller/purchaser exemption identifier, jurisdiction identifier, contract amount, installation amount, freight amount, discount amount, credit indicator, number of items, rounding indicator, tax type identifier, no tax indicator in a particular jurisdiction, over-ride amount in a jurisdiction, invoice data, invoice number, invoice line item number, delivery date, seller/purchaser company code, seller/purchaser name, seller/purchaser division code, seller/purchaser identifier, tax jurisdiction, purchaser address data and completion code of the transaction. Any conventional registration process and mechanism may be used to obtain this information from a selling/purchasing system and the transaction tax compliance system.

Detail Description Paragraph - DETX (67):

[0101] Referring to FIG. 13, after initializing the transaction, the exemption status of the purchaser may be set and verified for the transaction 512. Exempt products and services may be implemented by associating 600 an inventory code with a transaction tax system commodity code during the seller/purchaser registration process which may be through a web-based graphical user interface using a point and click process shown in FIG. 3E. The commodity code (218 in FIGS. 3A and 4A) may be associated in the product/service database with a particular exempt status in certain taxing jurisdictions or may be associated with a tax rate of zero in either the product/service database or the standard tax rate database. Usage and entity based exemptions may be implemented by associating (602) a purchaser

and/or

seller identifier with an exemption reason (233 in FIGS. 4A and 6) through the transaction tax processor.

Detail Description Paragraph - DETX (68):

[0102] Usage and entity based exemptions may be determined as the entity/use exemption is first registered with the transaction processor, as in the case of seller/purchaser registration, or alternatively, may be determined in real-time, and further, using real-time processing. The transaction tax processor may from time to time determine and/or verify the exemption of a specified product/service/entity/use.

Detail Description Paragraph - DETX (69):

[0103] The exemption status and amount may be determined in many ways. For example, the transaction tax compliance system may receive seller, purchaser, and transaction data (604) from the seller, purchaser, and transaction databases. More specifically, the exemption manager may receive the commodity code and/or reason code associated with the transaction from the transaction database. The transaction tax processor may then access (606) the product/service database and compare (608) the commodity code with the product/service database to determine whether that commodity code is associated with the wholly or partially exempt status. Similarly, the transaction tax processor may access (610) the entity/use database and compare (612) the reason code in the transaction data to data in the entity/use database to determine whether the user of the transaction tax compliance system has assigned a wholly or partially exempt status to the use of a product or a party involved in the transaction. If the commodity code and/or reason code is successfully matched with the received information, the exemption indicator (244 in FIG. 614) is set or updated to a status or value indicating the existence and/or type of an exemption. Furthermore, the transaction tax processor may set or update (616) the completion code (236 in FIG. 6) to a status or value indicating the existence of an exemption in the processing of the tax liability for the transaction. If the exemption information is not successfully matched, the transaction tax processor may send (618) a warning message, send a request of an update message to the selling/purchasing system, or set or update (616) a completion code indicating any problems encountered in determining the

exemption status of a transaction.

Detail Description Paragraph - DETX (70):

[0104] The transaction **tax** processor may treat the lack of determination of **exemption** status or verification of **exemption** status as merely a warning status or may cease for the processing until the **exemption** information is completely determined and/or verified. The **exemption** manager may also accept (604) a specified **tax exemption** status directly from the selling/purchasing system including receiving exempt transaction amounts (320 in FIG. 4A) for a particular jurisdiction or **tax** type or, the selling/purchasing system may indicate that the complete transaction or part of the transaction may be exempt from taxation with a no **tax** indicator (354 in FIG. 4A) or with administration codes (244 in FIG. 4A) which indicate active and/or inactive **tax** jurisdictions and/or **tax** types for the entity and/or transaction. The exempt tax amount or tax rate may then be determined by accessing any one of the product/service database entity/use database and/or standard tax rate database.

Detail Description Paragraph - DETX (71):

[0105] More specifically, in one embodiment, the **tax exemption** manager compares the commodity code and state of the **tax** jurisdiction with the product database. If there is a match, the exemption manager then accesses the state record. It then checks the state flag to determine the location of the rate in the state commodity code record, or whether to use the standard rate file or wholly exempt the transaction. The **exemption** manager then checks the city flag in the state record and then may access the product database with the city code for a particular **tax** jurisdiction and determine the location of the rate in the product database or standard rate database. The **exemption** manager may then check a county flag in a city record and access the product database with a county code for a particular **tax** jurisdiction and determine the location of the rate in the product database, standard rate database, or default value. The **exemption** manager may then check the maximum **tax** codes to determine how numeric fields may be used to calculate the maximum **taxes** (most **tax** laws for maximum **tax** liability amounts are based on a per line item or invoice amount). The **exemption** manager may then return a completion code indicating the success of **tax** calculation, any errors stopping **tax** calculation, or any errors overcome with default or determined values.

Detail Description Paragraph - DETX (72):

[0106] In a further embodiment of the invention, the transaction tax processor may access (620) information from an exemption data warehouse to verify the exemption status of the transaction by comparing exemption information with data from the exemption warehouse. At least one of the records in the purchaser, seller, product, and/or use database is identified as matching the current verification identifier, such as a commodity code, reason code, or an exemption certificate number. For example, the exemption information about the purchaser, seller, commodity, or use in the transaction information database may be compared (622) to the information from the exemption data warehouse. If the exemption information is successfully matched with the received information, the verification status 260 in FIGS. 4A and 6 is set or updated to a verified status or value (624). If the exemption information is successfully matched, the transaction tax processor may send (626) a verification message to the selling/purchasing system. Alternatively or additionally, the transaction tax processor may create or update (628) the completion code (236 in FIGS. 4A and 6) to indicate a successful or unsuccessful verification of exemption status. If the exemption information is not successfully matched, the tax transaction processor may send (630) a warning message or request for update message to the selling/purchasing system.

Detail Description Paragraph - DETX (73):

[0107] The transaction tax processor may treat the lack of verification as merely a warning status, may cease further processing by the transaction tax processor until the exemption information is completely verified, or a non-exempt tax amount may be calculated by the transaction tax processor. The transaction tax processor may verify exemption information as the exemption information is first registered with the transaction tax processor, as in the case of seller and/or purchaser registration, or alternatively, the transaction tax processor may verify the exemption information in real-time during the time of the transaction and further, may use real-time processing. Alternatively, the transaction tax processor may verify the exemption information after the transaction is completed and may then send a warning message or update request to the selling/purchasing system. The tax transaction processor may from time-to-time verify the exemption data in the product/service and entity/use databases.

Detail Description Paragraph - DETX (75):

[0109] Tax liability may be calculated in many ways. For example, calculating tax liability may involve receiving (632) seller, purchaser, and transaction data from the seller, purchaser, and transaction databases, more specifically, accessing and receiving data from the tax rate manager, exemption manager, seller database, purchaser database, and transaction database.

Detail Description Paragraph - DETX (79):

[0113] The transaction tax processor may then determine (646) any exemptions based on the entity status as determined by the exemption manager. The transaction tax processor may then determine (647) if there are any exemption indicators based on commodity or reason codes as determined by the exemption manager.

Detail Description Paragraph - DETX (80):

[0114] The transaction tax processor then receives (648) tax rate data from the tax rate manager, exemption manager, tax rate database, and/or exemption database maintained by the transaction tax processor and/or any third party system. The tax rate data is associated with a particular tax jurisdiction and is set by the laws and regulations of the tax jurisdiction and tax authority. The tax rate may be a function of the transaction amount, the product or service, the tax type as determined by the tax jurisdiction, and/or any other factor relevant to tax rates. The appropriate tax rate may be different for different portions of the transaction based on the amount of the purchase or the products in the transaction. The transaction tax processor may exempt certain portions of transactions or certain transactions based on many types of exemptions indicated in the transaction database, standard tax rate database, product/service database and/or entity/use database, which may include product-based, purchaser or seller entity-based, and usage based exemptions. Thus, the tax rate received from a tax rate database may be zero for a particular portion of a transaction or may be set to zero based on exemptions as determined by the transaction tax processor.

Detail Description Paragraph - DETX (86):

[0120] The selling/purchasing system or the transaction tax processor may place or store (718) summary data from the tax liability information database file into the appropriate space on the seller/purchaser tax return. The system placing summary data in a tax return is preferably programmed in JAVA code and

is Internet ready. JAVA code allows the system to be independent of the platform system, e.g., MS-DOS based systems, Apple-based systems, and/or IBM

OS2 based systems. The transaction tax compliance system may include scanned

tax forms and the calculation logic to determine the applicable tax to be reported and/or remitted. These tax forms may be related to **sales and use taxes** in addition to telecommunications, utilities, meal and beverage taxes, and any other tax schemes or types supported by the transaction tax compliance system. The appropriate tax forms and tax returns provided by the transaction tax compliance system may be provided to the transaction tax processor by taxing authorities to assure accuracy and compliance. The transaction tax processor may from time to time update (720) the forms and tax returns using methods known in the art.

Detail Description Paragraph - DETX (89):

[0123] Referring now to FIG. 16, a block diagram of the activities described in FIGS. 8-15A and how they interact with the databases of FIGS. 3A-7 will now be described. As indicated at 1000, registration of the selling/purchasing system uses the seller database 1002 and/or the purchaser database 1004. Initialization of the transaction 1006 uses at least the transaction database 1008, the seller database 1002, and the purchaser database 1004.

Determination

of possible tax locations for the transactions entity or a transaction 1010 uses at least the transaction database 1008 and the address database 1012 to associate address data and the transaction information with a taxing jurisdiction identifier. Determination of the tax situs 1014 uses at least information from the transaction database 1008 and optionally from the seller database 1002 and/or the purchaser database 1004. Creation or modification of the tax rate and the tax type 1016 for a transaction uses at least standard tax rate database 1018 and the transaction database 1008, and optionally the exempted products/services database 1020 and/or the exempted entities/use database 1022. The exempted products/service database 1020 and entity/use database 1022 may also be used to determine and/or verify 1024 any

exemptions

to tax liability also using the transaction information database 1008 and optionally an **exemption** data warehouse 1026. The tax liability is calculated 1028 using the transaction information database 1008 and optionally the seller database 1002, the purchaser database 1004, the standard tax rate database 1018, the product/services database 1020, the entity/use database 1022, and the

tax liability information database 1030. Transaction information may be sent 1-36 to the selling/purchasing system and/or processed to fill a tax return

1034 using the transaction information database 1008, the tax liability database 1032, and optionally the seller database 1002, the purchaser database 1004, and any databases holding information applicable to completing the tax return, including the standard tax rate database 1018, the product/service database 1020, and the entity/use database 1022.

Claims Text - CLTX (6):

5. The method as claimed in claim 1, further comprising determining an appropriate transaction **tax exemption** based on at least one of the following: the taxable status of a commodity purchased or sold, the taxable status of the entity purchasing or selling the product or service, or the taxability of the use to which the commodity will be put.

Claims Text - CLTX (7):

6. The method as claimed in claim 5, wherein determining the **exemption** authorization is determined automatically by the transaction **tax** compliance processor.

Claims Text - CLTX (8):

7. The method as claimed in claim 5, wherein determining the **tax exemption** authorization is determined in real-time.

Claims Text - CLTX (17):

16. The method as claimed in claim 3, wherein the applicable tax liability includes at least one of customs, excise, **sales, and use taxes**, gross receipts taxes, utility taxes, business and occupation taxes, and value added taxes.

Claims Text - CLTX (20):

19. A method for determining the appropriate **tax exemption**, comprising the steps of: (a) accessing an appropriate **exemption** database; and (b) comparing at least one of a purchased or sold commodity, purchaser exemption, seller exemption, or specified intended use with the appropriate exemption database.

Claims Text - CLTX (21):

20. A method for verifying the appropriate **tax exemption**, comprising: (a) accessing an appropriate **exemption** database; and (b) comparing at least one of a purchased or sold commodity, purchaser exemption, seller exemption, or

specified intended use with the appropriate exemption database.

Claims Text - CLTX (24):

23. The method as claimed in claim 20, wherein accessing and verifying the appropriate **tax exemptions** are accomplished in real-time.

Claims Text - CLTX (25):

24. The method as claimed in claim 20, wherein appropriate validation of **tax exemption** is accomplished automatically and is initiated at a seller/purchaser location.

Claims Text - CLTX (28):

27. A system for managing **tax** compliance, comprising: a verification database in which at least one of appropriate **tax exemptions**, appropriate taxing rate and fees, and jurisdiction locations are stored; and a tax transaction processor having an input for receiving from a remote location, transaction information and an output providing an applicable tax for the transaction from the verification database.

Claims Text - CLTX (29):

28. A method for determining an applicable **tax** to a transaction, comprising: receiving information from a remote location indicating at least one of the transacted commodity, the transaction amount, purchaser **exemption**, seller **exemption**, and use of the transacted commodity; calculating an applicable tax liability based on the received information; and storing the calculated information as the appropriate applicable tax.